

Notice of Funding Availability (NOFA)

**MULTIFAMILY HOUSING PROGRAM  
(MHP)**

**2003-2004 FUNDING ROUND B-2**

**August 15, 2003**

State of California  
Department of Housing and  
Community Development

**2003-2004 FUNDING ROUND B-2**  
**NOTICE OF FUNDING AVAILABILITY (NOFA)**  
**MULTIFAMILY HOUSING PROGRAM**  
**August 15, 2003**

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ATTACHMENT

Nonresidential Space for Supportive Service Funding Requirements

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF COMMUNITY AFFAIRS**

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**2003-2004 FUNDING ROUND 2B  
NOTICE OF FUNDING AVAILABILITY (NOFA)  
MULTIFAMILY HOUSING PROGRAM****August 15, 2003****MHP General Funding: \$70 million****Nonresidential Space for Supportive Services Funding: \$15 million****PROGRAM DESCRIPTION****A. Introduction.**

The California Department of Housing and Community Development (hereinafter "HCD" or "Department") is announcing the availability of approximately \$85 million in funding for the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2002 (SB 1227) and by the vote of the people of the State of California who, on November 5, 2002, approved bond funding for programs authorized under the Act. The funds awarded under this NOFA will be allocated to projects that are eligible for funding under the following two MHP program components authorized under the act:

1. MHP General funds of approximately \$70 million. These funds are available as permanent financing for affordable multifamily rental and transitional housing developments.
2. MHP Nonresidential Space for Supportive Services funds of approximately \$15 million. These funds are being set aside under this NOFA to be used in conjunction with projects funded under the MHP General allocation. These funds shall be for the development of space to house Supportive Services. Nonresidential Space for Supportive Services (Supportive Service Space) must meet the goals outlined in the Attachment to this NOFA. These funds may not be used to pay for the actual Supportive Services. Supportive services shall be provided by staff trained in working with the targeted population. The Attachment provides detailed project eligibility requirements and selection criteria.

Under a separate "Supportive Housing" NOFA, MHP funds are currently being offered on an "over the counter" basis for projects that include supportive housing units. (The MHP Supportive Housing NOFA is available on HCD's website at <http://www.hcd.ca.gov/ca/mhp>).

**B. Program Summary.**

MHP provides low-interest loans to developers of affordable housing. MHP General funds available under this NOFA may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures.

HCD expects MHP funds to be leveraged with other resources, including local government funds, the federal Continuum of Care programs, four percent low-income housing tax credits, tax-exempt bond financing and private debt financing.

Under this NOFA, projects using nine percent tax credits are ineligible.

**C. Highlighted Program Changes.**

Some of the significant changes to the Program applicable to this funding round include:

1. The five percent cap on rent increases for existing tenants has been eliminated.
2. Operating reserves requirements for tax credit projects have been reduced from a four month requirement, to three months of expense, reserves, and debt service. The operating reserve must now be funded entirely from development funding sources.
3. The debt service coverage ratio required in year one has been changed to a minimum of 1.10 and a maximum of 1.2, with some exceptions where required to maintain financial feasibility for 15 years and for projects jointly funded by California Housing Finance Agency (CalHFA).
4. A tiebreaker provision has been added. The tiebreaker is a measure of average project affordability. The tiebreaker provision applies only to the MHP General Allocation.
5. The amount of allowable Developer Fee payable from development funding sources has been increased.
6. The requirements for acceptable market studies were clarified to reference the February 2002 Tax Credit Allocation Committee (TCAC) Market Study Guidelines. HCD will require that market studies submitted to HCD meet the criteria in those guidelines that address purposes relevant to MHP.
7. The regulation of the use of operating cash flow has been modified in the interest of simplicity and in an effort to bring MHP requirements into conformity with the requirements of other lenders.

A comprehensive list of all the Regulatory changes complete with a detailed explanation of the changes will be posted to the Department's website on or about August 22, 2003.

**D. Eligible Project Sponsors.**

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided that they or their principals have successfully developed at least one affordable housing project. Sponsors of projects where at least 70 percent of the units consist of Special Needs Population units or Supportive Housing units are exempt from the requirement for previous development experience under limited conditions Section 7303 (d).

Sponsors must have site control in the name of the Sponsor or an entity controlled by the Sponsor as defined in Uniform Multifamily Regulations (UMR) Section 8303.

**E. Eligible Uses of Funds.**

MHP funds will be provided as permanent financing only, and may be used to take out construction loans used to cover normal project development (capital) costs, as detailed in Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308. Program funds may not be used for the cost of supportive services, although the costs of on-site supportive services coordination may be treated as a project operating cost, payable from operating income. MHP funds must be attributable to the costs of “restricted” units (MHP units and units subject to a long-term regulatory agreement with occupancy and rent restrictions similar to those of MHP) or to the costs of facilities used for childcare, after-school care, and social services that are integrally linked to the restricted units.

**F. Eligible Projects.**

Projects must qualify as rental housing developments, as defined in UMR Section 8301, and meet the requirements of Section 7302. They must have, among other things, five or more dwelling units. MHP General funded units may be operated as permanent or transitional housing.

Projects are ineligible if construction has commenced as of the application due date (Section 7302), or if the project is already fully funded. They must meet the feasibility standards described in UMR Section 8310.

Projects receiving nine percent tax credits are ineligible and the Department will not hold MHP funds pending the outcome of a nine percent tax credit application. Therefore, projects which have a nine percent tax credit application pending at the time the MHP application is submitted will be disqualified from competing in this funding round. Furthermore, projects which receive a funding commitment and subsequently apply for nine percent tax credits will be deemed ineligible and the funding commitment will be immediately rescinded.

**G. Maximum Loan Amounts.**

The maximum loan per project is \$10,000,000. The maximum loan amount per “restricted” unit is a function of unit size, location, and affordability level.

**H. Loan Terms and Security.**

Loans will have 55-year terms, and bear simple interest at the rate of three percent per year. For the first 30 years, annual interest payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The payment amount for the next 25 years will be set by HCD in year 30, and will be the minimum amount necessary to cover HCD’s monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term.

Cash flow remaining after payment of all debt service, Operating Expenses, required reserves and allowable deferred Developer Fee and Distributions per UMR Section 8312, and 8314 shall be applied toward repayment of the MHP loan. If the terms of other public agencies’ financing also require payments from remaining cash flow, the Department may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, and amortizing

loans from institutional lenders and the federal government provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local loan is at least twice the amount of the Department's total assistance to the project, including both loans and grants (Section 7306 (e) and UMR Section 8315).

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to the Department. The term of a leasehold interest must be at least 90 years (65 years where the lessor is a public entity) from the date the MHP loan closes, excluding any unexercised lease extensions. If the MHP loan is secured by a leasehold, the owner of the fee and the borrower must sign a recordable lease rider approved by the Department. See UMR Section 8316 for other leasehold requirements.

**I. Rent and Occupancy Limits.**

MHP assisted unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project sponsor in their MHP application, with rents not exceeding 30 percent of the applicable income limit. The maximum possible income and rent limits are those set by the Tax Credit Allocation Committee (TCAC), using its calculation methods: 60 percent of AMI, adjusted by household size, and 30 percent of 60 percent of AMI, adjusted by bedroom size. (These maximum limits are available on the TCAC website at <http://www.treasurer.ca.gov/CTCAC/ctcac.htm>).

Assisted unit rent increases will be limited in accordance with the rules governing tax credit units. Where the project receives Section 8 or other rental assistance subsidies, "rent" is defined as the tenant's contribution, rather than the contract rent level. Sponsors of this type of project will be required to continue the rental assistance as long as it is available. Projects with rental subsidies must also be feasible with 50 percent of AMI rents for units garnering income-targeting points in the event the rental assistance is terminated Sections 7301(z) and 7312(d).

**J. Developer Fees and Distribution Limitations.**

Developer fees are limited in accordance with the schedule shown in UMR Sections 8312, and 8314. Distributions to the sponsor out of operating income (including payment of asset / partnership management fees) are also limited in accordance with UMR Sections 8312, and 8314.

**K. Projects for Populations With Special Needs.**

Sponsors of Special Needs Populations projects must have a specific, feasible plan for delivery and funding of tenant services and will be required to meet minimum threshold criteria for experience and the provision of services. MHP funds may not be used to fund tenant services. Sponsors must also be very careful to avoid violation of laws barring housing discrimination. HCD will review proposed tenant selection criteria for potential violations of these laws. HCD may condition funding on the elimination of restrictions that it believes to be impermissible, or reject an application where it determines that compliance with applicable law is not feasible.

As a general rule, tenant selection criteria that have the effect of discriminating against protected classes, such as those based on race, color, religion, sex, age, marital status, familial status, disability, national origin and sexual orientation, are prohibited. On the other hand, housing providers may establish reasonable selection criteria that are rationally related to the services performed and the facilities provided. The determination of whether tenant selection criteria are reasonable and whether the services and facilities are rationally related depends on several factors, including the specific needs of the targeted population, the nature and extent of the

services and facilities provided, and sources of funding, other than funds from MHP, for such services and facilities. For example, a sponsor proposing to serve tenants with a particular disability may not be able to justify excluding persons with other disabilities having similar needs. Other than the ban on discrimination against protected classes, there are often few bright line rules to help Sponsors avoid illegal discrimination and each proposal must be analyzed on its own facts.

This is a very complex and in many ways unsettled area of law. Sponsors are encouraged to seek professional advice if there is any doubt that their proposal may run afoul of non-discrimination and fair housing laws. A useful resource is *Between the Lines, A Question and Answer Guide on Legal Issues in Supportive Housing*, recently published by the Corporation for Supportive Housing. This document is available online at [www.csh.org.pub.html](http://www.csh.org.pub.html) or by calling the publisher at (510) 251-1910.

As time permits, MHP staff is available to assist potential applicants prior to application submission in determining whether their proposal raises possible discrimination issues.

In evaluating tenant selection criteria for Special Needs Populations applications, HCD will first examine whether the criteria resulted from federal or state funding, as an indicator of legislative authorization. It will then review other aspects of the selection criteria, the services and facilities proposed to meet the needs of the targeted group and the proposed sources of other funding. If an applicant disagrees with HCD's determination, it may seek an alternate opinion from the California Department of Fair Employment and Housing (DFEH). HCD will defer to DFEH's opinion. Please be advised that a proposal may have substantial discrimination problems even though it targets a group specifically listed in the definition of Special Needs Populations in Section 7301.

**L. HUD Section 811 Projects.**

For HUD Section 811 projects, the Sponsor must demonstrate its ability to make the required annual MHP debt payment (0.42 percent). This may be done by capitalizing a reserve account, within the Development Budget, in an amount sufficient to cover the annual payment. However, please note that MHP bond funds awarded under this NOFA are not available to fund this reserve. In the alternative, the Sponsor may provide assurances from HUD acceptable to the Department that the payment will be allowed as part of the project's annual operating budget. Prior to the commencement of construction, the Sponsor must also provide the department with evidence of HUD approval of the HCD approved Tenant Selection Plan, including specifically the deep income targeting required by MHP. The Department will be deferring to the HUD reserve requirements for the life of the HUD loan. Upon expiration of the HUD loan, the Sponsor will then comply with the MHP requirements for both operating and replacement reserve accounts.

**M. Geographic Set-Asides.**

MHP's enabling statute requires the program to "ensure a reasonable geographic distribution of funds." To prevent an extreme imbalance in funding, no less than 45 percent of the total funds awarded under this NOFA shall be awarded to projects in Southern California, no less than 30 percent shall be awarded to projects in Northern California, and no less than 10 percent shall be awarded to projects in rural areas.

For the purpose of these set-asides, Southern California includes the counties of Kern, San Bernardino San Luis Obispo, and all counties to the south. Northern California includes all other counties of the State. "Rural" is defined to be consistent with the definition used by TCAC for the tax credit program, and a list of rural areas can be found in TCAC's Application Supplement, available from the department.

**N. Prevailing Wage Requirements.**

Pursuant to Health & Safety Code section 50675.4(c)(2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code section 1720 et seq.

**O. Important Legal Matters.**

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA provides a partial summary of the MHP statute and regulations and the Nonresidential Supportive Service Space Requirements (Attachment). In the interest of brevity, it does not cover many aspects of those governing documents, some of which may be of critical importance to individual projects. For this reason, applicants are urged to carefully review the regulations, the Attachment and the information contained in this NOFA before submitting applications.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

All sections in this NOFA refer to the proposed regulation text unless otherwise noted. The application form will be available on the HCD web site on or about August 22, 2003.

Applications are due in HCD's office by 5:00 p.m. on October 8, 2003. HCD expects to issue commitments to successful applicants in January, 2004, prior to the projected application due date for the 2004 first funding round of the California Debt Limit Allocation Committee (CDLAC).

**P. Legal Authority.**

MHP is a streamlined, omnibus financing program for affordable multifamily housing developments. MHP was established by SB 1121, Statutes of 1999 (Alarcón), which created Chapter 6.7, commencing with Section 50675, of the Health and Safety Code. This NOFA will be governed by regulations that are in the final stages of being adopted by HCD. The proposed regulation text and associated rule-making documents are available on the HCD website at: <http://www.hcd.ca.gov/ca/mhp/>. The adopted regulations are still subject to changes during the remaining portions of the rule-making process, including final review by the Office of Administrative Law. However, HCD expects that the final adopted regulations will be substantially the same as the proposed version (dated July 25, 2003) that has been posted on its web site. Accordingly, applications should be completed pursuant to the requirements as stated in the proposed regulation text. Should there be any change to the regulations which would affect the application process, or alter information to be submitted by the applicant or reviewed by HCD, all interested parties will be notified of the changes immediately. Applications submitted under this NOFA are also subject to the applicable statutory requirements (including those of Proposition 46 and SB 1227 of 2002), and the requirements specified in this NOFA and the Attachments.

All section references in this NOFA refer to the proposed MHP regulation text posted on the HCD website unless otherwise noted. UMR section references refer to the proposed Uniform Multifamily regulations.



## APPLICATION PROCEDURES AND DEADLINE

### Q. Application Packaging and Submittal.

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. A complete original application, plus one copy, must be received by the Department no later than 5:00 P.M. on Wednesday, October 8, 2003. No facsimiles, late applications, incomplete applications, or application revisions will be accepted. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies will not be rated and ranked.

Application forms will be available on or about August 22, 2003. To receive an application package, please visit HCD's web site after this date, or contact Anne Gilroy at (916) 327-2886 or [agilroy@hcd.ca.gov](mailto:agilroy@hcd.ca.gov). Applications must be delivered to one of the following addresses:

#### U.S. Mail

Anne Gilroy  
Department of Housing and Community  
Development  
Division of Community Affairs  
P.O. Box 952054  
Sacramento, CA 94252-2054

#### Private Carrier

Anne Gilroy  
Department of Housing and Community  
Development  
Division of Community Affairs  
1800 Third Street, Room 390  
Sacramento, CA 95814

It is the applicant's responsibility to ensure that its application is clear, complete and accurate. After the application deadline, MHP staff may request clarifying information provided that such information does not affect the competitive rating of the application. No information will be solicited or accepted if this information would result in a competitive advantage to an applicant. No applicant may appeal HCD staff's evaluation of another applicant's application.

### R. Timetable for Applications, Workshops, and Awards.

TIMETABLE FOR MHP APPLICATIONS	
NOFA Issued:	August 15, 2003
Statewide Applicant Workshops:	See Section S Below
Applications Due:	October 8, 2003
Notification of Proposed Awards (est.):	January, 2004
Award Notification (est.):	January, 2004

### S. Application Workshops.

To assist applicants in preparing their applications, the Department will conduct application workshops. Workshop attendance will assist the applicant with application preparation. Time is also set aside for answering individual applicant project related questions.

Application workshops are scheduled as follows:

<b>Date</b>	<b>Location</b>	<b>Supportive Housing Focus Presentation <sup>1</sup></b>	<b>General MHP Application Presentation <sup>2</sup></b>
September 10, 2003	Ronald Reagan State Building 300 South Spring Street Los Angeles	9:00 – 12:00	1:30 – 4:30
September 12, 2003	San Diego State Building 1350 Front Street, Room B-109 San Diego	9:00 – 12:00	1:30 – 4:30
September 15, 2003	HCD Headquarters 1800 Third Street, Room 183, Sacramento	9:00 – 12:00	1:30 – 4:30
September 19, 2003	Elihu Harris Building 1515 Clay Street Room 2 Oakland	9:00 – 12:00	1:30 – 4:30

The morning and afternoon Workshop sessions will both begin with a presentation of MHP Regulatory changes that affect application requirements.

<sup>1</sup> The morning Workshop sessions will focus on application and project requirements that are specific to Supportive Housing and Special Needs Population Projects. Sponsors of Supportive Housing and Special Needs Population Projects are strongly encouraged to attend both sessions.

<sup>2</sup> The afternoon Workshop sessions will be an overall MHP application review that includes requirements for both MHP General and Supportive Housing Projects.

**T. Technical Assistance.**

If you are unable to attend one of the workshops and have questions about the application process, please contact the MHP program staff.

**U. Application Point Scoring.**

The criteria that will be used to competitively score projects are described in Section 7320, and summarized below. In assessing whether a project is “at risk,” MHP will use the same standards as TCAC (See TCAC’s regulations, Section 10325(g)(5), available on their web site as identified above).

**V. Tiebreaker.**

In the event of tied point scores, the Department shall rank tied applications based on the lowest weighted average affordability of Restricted Units (Section 7320).

<b>Criterion</b>	<b>Max. Points</b>	
Extent Project Serves the Lowest Income Levels	35	Attachment 3 shows the income levels referenced in the regulations.
Extent the Project Addresses the Most Serious Local Housing Needs	15	If a market study is submitted, it must be performed by a qualified third party in accordance with the Department's application of TCAC Market Study Guidelines, dated February 2002
Development and Ownership Experience of the Sponsor	20	
Percentage of Units for Families or Special Needs Populations and "At-Risk" Rental Housing Developments	35	"At-risk" projects receive full points in this area.
Leverage of Other Funds	20	
Project Readiness	15	
Adaptive Reuse/Infill/Proximity to Amenities	10	
<b>Total</b>	<b>150</b>	

Projects must receive a minimum point score of 125, as determined by HCD staff, in order to be considered for a funding award.

**W. Disclosure of Application.**

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosable to any person making a public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to the Department, the sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

Do not hesitate to contact the Department if you should have any questions regarding the NOFA, the application, the application process, or necessary documents at any time during the application preparation period.

Questions should be directed to the MHP program staff at (916) 323 - 3178. Thank you for your interest in the Multifamily Housing Program.

Sincerely,

William J. Pavão  
Deputy Director

Attachment:

## **Attachment**

# **Multifamily Housing Program (MHP) – General Nonresidential Space for Supportive Services Funding Requirements**

**Funds Available: \$15 million**

**A. Purpose.**

The purpose of the Nonresidential Space for Supportive Services funding component of the MHP is to improve the lives of the residents of an MHP-General funded project by creating nonresidential space for the provision of supportive services.

These funds are available as forgivable post-construction loan funds that will be used to “take-out” construction period funds utilized for the construction of the space where the services shall be provided. These funds cannot be used for construction period funding and cannot be used to fund the services themselves. Persons other than residents of the MHP-funded project may receive the services offered in the space but residents of the MHP-funded project must be given priority over the general public.

To insure that the purpose of the Nonresidential Space for Supportive Services is realized, the supportive services provided in the space should be flexible, enrich the residents’ quality of life, maximize independence, provide greater life stability, provide opportunities to improve personal economic status and meet the specific supportive service needs of the residents of MHP projects. Supportive services shall be provided by staff trained in working with the targeted population.

**B. Eligibility Requirements.**

1. The Nonresidential Space for Supportive Services proposed for funding must be included as a component of an application for a rental housing development project that receives an award under the MHP - General 2003-04 NOFA, dated August 15, 2003. The rental housing development project does not have to be a project that will serve an eligible Special Needs Population. For example, the project could be targeting families and the Nonresidential Space for Supportive Services would be used to fund the development of a child care facility that would be located across the street from the rental housing development project. Projects that have received MHP funding under a prior NOFA are not eligible to receive these funds; and,
2. The Nonresidential Space for Supportive Services funds must be used for capital improvements of a space or facility wherein supportive services will be provided on a priority basis to the project residents. and,
3. The use of the Nonresidential Space for Supportive Services must be directly related to the delivery and availability of supportive services to the project residents; and,

4. The Nonresidential Space for Supportive Services must be located within, or immediately proximate to, the project to be funded under this MHP – General NOFA. Immediately proximate is adjacent to the project site or directly across the street. The supportive services space must be located on real property owned or leased (with a remaining term of at least 90 years, or at least 65 years if the lessor is a public entity) by the Sponsor of the MHP - General project or an entity controlled by the Sponsor.

**C. Nonresidential Space for Supportive Services funds are not eligible for the following uses unless directly related to the provision of services listed under item 4. below:**

1. community rooms;
2. general commercial or retail space;
3. general purposes space;
4. community kitchens;
5. sponsor or supportive services provider's administrative offices;
6. playgrounds; and
7. other uses not specifically serving the needs of the population served by the project.



**D. Requirements of supportive services utilizing the Nonresidential Space for Supportive Services**

Services must be linked to the needs of residents who will occupy the MHP – General project and may include:

1. services identified in the approved Special Needs Project Plan when such Plan is required in conjunction with a Special Needs Population project;
2. health services;
3. childcare;
4. computer rooms enhancing vocational or job training;
5. education;
6. case management;
7. after school educational programs; or
8. job training.

Service providers utilizing the Nonresidential Space for Supportive Services must ensure that services are affordable and available to residents of the MHP – General funded project on a priority basis over the general public.

**E. Loan Amounts and Conditions.**

1. Awards are limited to the lesser of \$25,000 per Restricted Unit or \$500,000 per project.

2. Funding will be in an amount that is in addition to any applicable MHP per-unit or project loan limits, pursuant to MHP Regulation Section 7307.
3. Sponsors must demonstrate site control for the real property on which the Nonresidential Space for Supportive Services will be located, pursuant to Uniform Multifamily Regulations Section 8303.
4. Loans will be awarded only for projects that receive an award under the MHP- General 2003-04 NOFA, dated August 15, 2003.
5. Loan funds shall be disbursed at the time of the permanent MHP loan closing.
6. Loans for Nonresidential Space for Supportive Services will be documented by a promissory note with an annual interest rate of three percent and a term of 55 years. The promissory note will be secured by the MHP Deed of Trust and subject to the MHP Regulatory Agreement. The Nonresidential Space for Supportive Services funds and accrued interest are forgivable at the end of the 55 year loan term if the borrower has complied with the terms of the Regulatory Agreement for the term of the loan. Compliance requires the continuous use of the space for the purposes indicated in the Regulatory Agreement.
7. Changes and/or alternative uses of the Nonresidential Space for Supportive Services must be approved in writing by the Department prior to the proposed change in space use.
8. The annual MHP loan payment (.42 percent of the outstanding principal loan balance for the first 30 years and adjusted thereafter) will not be applicable to the supportive services space loan amount.
9. At the request of the Sponsor, at the time of application, funding for the Nonresidential Space for Supportive Services may be subject to MHP loan repayment terms, pursuant to MHP Regulation Section 7306 and Section 7308.

**F. Project Selection Criteria.**

Awards will be made to the highest scoring fundable MHP - General projects in the order they are awarded funding, until the \$15 million of funds available for nonresidential supportive services space are exhausted.

**G. Other Considerations.**

1. In the event that Nonresidential Space for Supportive Services funds are not available (e.g. the funds have been exhausted), Sponsors of fundable MHP – General projects will be required, as a condition of funding the MHP – General project loan, to demonstrate the MHP – General project’s feasibility by either:
  - a. identifying another funding source for the Nonresidential Space for Supportive Services ;  
or
  - b. electing to not include the Nonresidential Space for Supportive Services as part of the MHP – General project.
2. Funding for the Nonresidential Space for Supportive Services will not be considered in the leverage scoring calculation contained in MHP Regulation Section 7320 (b)(5).